

**REPORT OF THE AUDIT OF THE  
BARREN COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 18, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BARREN COUNTY**  
**SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 18, 2005**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Barren County Sheriff as of April 18, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$15,916,271 for the districts for 2004 taxes, retaining commissions of \$524,782 to operate the Sheriff's office. The Sheriff distributed taxes of \$15,360,387 to the districts for 2004 Taxes. Taxes of \$1,645 are due to the districts from the Sheriff and refunds of \$745 are due to the Sheriff from the taxing districts.

**Report Comment:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Barren County Sheriff  
Members of the Barren County Fiscal Court

Independent Auditor's Report

We have audited the Barren County Sheriff's Settlement - 2004 Taxes as of April 18, 2005. This tax settlement is the responsibility of the Barren County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Barren County Sheriff's taxes charged, credited, and paid as of April 18, 2005, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Barren County Sheriff  
Members of the Barren County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 9, 2006



BARREN COUNTY  
BARNEY JONES, SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

April 18, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,968,666	\$ 779,662	\$ 8,041,243	\$ 1,884,272
Tangible Personal Property	248,231	101,521	937,440	758,596
Intangible Personal Property				331,525
Volunteer Fire Dues		278,725		
Increases Through Exonerations	170	57	666	286
Omitted Taxes	3,685	1,345	14,497	3,841
Franchise Corporation	172,702	54,899	643,744	
Oil and Gas Property Taxes	685	240	2,604	655
Limestone, Sand, and Mineral Reserves	204	72	777	195
Bank Franchises	116,386			
Penalties	14,124	8,765	56,141	13,814
Adjusted to Sheriff's Receipt	19	38	81	20
Gross Chargeable to Sheriff	<u>\$ 2,524,872</u>	<u>\$ 1,225,324</u>	<u>\$ 9,697,193</u>	<u>\$ 2,993,204</u>
<u>Credits</u>				
Exonerations	\$ 4,567	\$ 1,902	\$ 17,979	\$ 30,711
Discounts	36,624	17,418	138,883	48,001
Delinquents:				
Real Estate	31,447	14,090	127,593	30,070
Tangible Personal Property	2,229	1,051	8,643	4,488
Intangible Personal Property				660
Volunteer Fire Dues		7,700		
Uncollected Franchise	51	16	199	
Total Credits	<u>\$ 74,918</u>	<u>\$ 42,177</u>	<u>\$ 293,297</u>	<u>\$ 113,930</u>
Taxes Collected	\$ 2,449,954	\$ 1,183,147	\$ 9,403,896	\$ 2,879,274
Less: Commissions *	104,411	39,107	258,607	122,657
Taxes Due	\$ 2,345,543	\$ 1,144,040	\$ 9,145,289	\$ 2,756,617
Taxes Paid	2,340,773	1,142,958	9,125,715	2,750,941
Refunds (Current and Prior Year)	4,334	1,393	18,684	5,791
Due Districts or (Refunds Due Sheriff)		**	***	
as of Completion of Fieldwork	<u>\$ 436</u>	<u>\$ (311)</u>	<u>\$ 890</u>	<u>\$ (115)</u>

\*, \*\* and \*\*\* See Next Page.

The accompanying notes are an integral part of this financial statement.

BARREN COUNTY  
 BARNEY JONES, SHERIFF  
 SHERIFF'S SETTLEMENT - 2004 TAXES  
 April 18, 2005  
 (Continued)

\* Commissions:

10% on	\$	15,000
4.25% on	\$	6,227,616
2.75% on	\$	9,403,896
0% on	\$	269,759 (Note 8)

\*\* Special Taxing Districts:

Library District	\$	(447)
Extension District		66
Cave City		140
Haywood Fire District		(25)
Temple Hill Fire District		(45)
		<hr/>
Due Districts or (Refunds Due Sheriff)	\$	<u>(311)</u>

\*\*\* School Districts:

Barren County School District	\$	456
Glasgow Independent School District		547
Caverna Independent School District		(113)
		<hr/>
Due Districts or (Refund Due Sheriff)	\$	<u>890</u>

BARREN COUNTY  
NOTES TO FINANCIAL STATEMENT

April 18, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 18, 2005  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 18, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 25, 2004 through April 18, 2005.

Note 4. Interest Income

The Barren County Sheriff earned \$2,691 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be turned over to the fiscal court as part of monthly excess fees.

Note 5. Sheriff's 10% Add-On Fee

The Barren County Sheriff collected \$67,125 of 10% add-on fees allowed by KRS 134.430(3). This amount will be turned over to the fiscal court as part of monthly excess fees. As of May 9, 2006, the Sheriff owed \$1,278 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Barren County Sheriff collected \$2,395 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs and advertising fees to his fee account. Since the Sheriff is fee pooling, these amounts were then distributed to the fiscal court as part of monthly excess fees.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2004 taxes, the Sheriff had \$2,372 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

Note 8. Volunteer Fire Department Annual Membership Charges

The Barren County Fiscal Court passed an ordinance April 1, 2003, that does not allow the Sheriff to collect an administrative fee or commission on the collection of volunteer fire department annual membership charges after the first year of collections.

COMMENT AND RECOMMENDATION



BARREN COUNTY  
BARNEY JONES, SHERIFF  
COMMENT AND RECOMMENDATION

As of April 18, 2005

INTERNAL CONTROL – REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control, such as functions prescribed by statutes and regulations and by budgetary constraints. We recommend the Sheriff implement the compensating controls noted below to offset the internal control weakness.

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should periodically compare the monthly tax distribution reports to receipts ledger for accuracy. Any differences should be reconciled. The Sheriff should document this by initialing the monthly tax distribution report.
- The Sheriff should periodically compare payments to taxing districts to checks. The Sheriff should document this by initialing the monthly tax distribution reports, noting that payment amounts were agreed to checks.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's Response:*

*None.*

PRIOR YEAR FINDINGS:

The prior year audit report had Lacks Adequate Segregation Of Duties as a reportable condition and material weakness. As noted above, this reportable condition and material weakness have not been corrected.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Barren County Sheriff  
Members of the Barren County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Barren County Sheriff's Settlement - 2004 Taxes as of April 18, 2005, and have issued our report thereon dated May 9, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Barren County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Barren County Sheriff's Settlement - 2004 Taxes as of April 18, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 9, 2006

